



MEMORANDUM

DATE: March 7, 2012

TO: Chair Turner and Members of the Planning Commission

FROM: Paul Inghram, AICP, Comprehensive Planning Manager, Planning & Community Development, 452-4070
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SUBJECT: Newport Hills Revitalization Efforts – Status Update
Neighborhood Business (NB) District LUCA, File No. 11-125521 AD

This memorandum provides a status update on the work staff is doing with the property owners and community to develop a strategy to revitalize the Newport Hills shopping center. This is a multifaceted effort that involves developing an economic understanding of redevelopment, redefining the community's interest for the shopping center, implementing public improvements, and addressing barriers in the city's land use regulations.

As an interim step in this effort, staff recommended adjusting the use size limits of the Neighborhood Business (NB) District, increasing some size limits from 3,000-5,000 to 10,000 square feet. A staff report and recommendation for this amendment to the NB regulations was issued on November 18, 2011, and a public hearing held on December 14. At the December 14 meeting, the Planning Commission heard an array of comments on the proposal and discussed a number of questions. The Planning Commission indicated that a recommendation on the proposed code amendment was premature at that time and suggested that more work was needed to consider a more comprehensive solution.

BACKGROUND

The Newport Hills Shopping Center has served as the center for the Newport Hills and Lake Heights neighborhoods for decades. However, competition with Newcastle and Factoria, combined with changing consumer trends, has resulted in a decline in retail demand at Newport Hills. During the current economic downturn, three major tenants left the shopping center leaving a large portion of the site vacant.

The city has been actively engaged with the Newport Hills neighborhood and commercial property owners since 2010 to look at how to restore the vitality of the center. One focus has been to better understand the market factors at play, and to explore the economic potential for redevelopment. With financial participation from the Newport Hills shopping center owner, the city contracted with economic consultants last winter in a two part effort: 1) to better understand market demand for retail and other uses at this location; and 2) to test the economic return from a variety of redevelopment scenarios to determine whether they perform well enough to justify major private sector investment.

By demonstrating financial feasibility, the studies significantly advanced the potential for reinvestment in the Newport Hills shopping center. The findings suggest that the center is *not* well suited to its original purpose of single-use retail, and that its location is unlikely to support a major national retailer or a new anchor grocer. However, a smaller amount of retail coupled with multifamily apartments or senior housing, could create a viable option for partial redevelopment of the site. The studies also began to identify aspects of the NB zoning that make redevelopment and some types of reuse unfeasible.

In addition to the work conducted to better understand the economic context of the shopping center, the city, property owners and community have been advancing a number of efforts to improve the look and character of the area.

- In 2010 Bellevue acquired property on Southeast 60th Street for a new neighborhood park in the Newport Hills area. The site was purchased with funding from the 2008 voter-approved Parks and Natural Areas Levy. Although money was only allocated for the property acquisition, the city and the Newport Hills Community Club have been working together to develop a long term vision for the park.
- The city's Arts Program has been working with the community and Metro to design and create a series of art installations that will transform the Metro bus stops on 119th Avenue SE in front of the shopping center. These art installations are anticipated to be put in place late summer 2012.
- The city's Community Development program is working with property owners to design a set of landscape improvements to the 119th Avenue SE block adjacent to the shopping center that will be installed in coordination with the art project.

Beyond city-led efforts, the Newport Hills Community Club has been actively coordinating with property owners, talking with prospective business, and has established a Land Use Committee to advance a shared land use vision and strategy for the area.

Revitalization Objectives

The fundamental objectives of the city's efforts are to help restore and sustain the vitality of the shopping center, as a central gathering space for the community, as a convenient place for local services, and as a place that helps define the character of the neighborhood. Accomplishing these objectives requires a long-range redevelopment strategy of the retail shopping center. However, it is also important to fill vacant spaces in the interim and to do so in a way that doesn't obstruct the long-range strategy. These strategies need be developed in a way that respects market dynamics and remain compatible with the neighborhood orientation of the shopping center.

At the December 14 Planning Commission meeting, staff heard the Commission talk about the need to define these larger objectives and to address code barriers in a comprehensive manner rather than with the proposed interim step. To that end, staff is continuing to work with the property owner and community to further define the shopping center's redevelopment potential. This will look at how changes might be phased in, interim solutions prior to redevelopment, options for increasing investment, and further review of market factors. As discussed with the

Planning Commission, staff and the property owners are continuing to explore the types and sizes of uses. A central area of discussion has been how to fill the space previously occupied by Red Apple (about 20,000 square feet), while supporting future redevelopment and maintaining the site's neighborhood serving function.

While the original proposal was drafted to support NB sites greater than three acres, including Newport Hills, Bel-East and Northtowne, the Commission recognized concerns from neighbors of the Northtowne shopping center and questioned whether the approach to code amendments could be tailored specifically to Newport Hills. Maintaining the vitality of all of the city's shopping centers is imperative, yet, at this time, the primary importance is in addressing the situation at Newport Hills. Therefore, moving forward, staff will focus the current effort on Newport Hills.

The review of potential code changes and redevelopment will be coordinated within the broader Newport Hills umbrella that includes public improvements and parks planning, and how they can be leveraged as part of the area's reinvestment strategy. There are a range of tools that the city can bring to bear to help the neighborhood, not just code amendments, and the effort will maintain this multifaceted approach.

NEXT STEPS

It is recognized that this approach departs somewhat from the original two-step approach previously proposed. Without predefining a revised work plan at this point, staff will continue to work with the community and property owners to further develop a set of strategies to revitalize the shopping center, recognizing the need for a broader, more comprehensive approach. Staff will explore with the property owner possible partnerships and phasing options that meet the dual objectives of long term health and vitality of the shopping center, while seeking to fill the empty spaces in the short term.

Any additional comments or direction from the Commission is welcome. Staff will return to update the Commission periodically as this work continues and a new set of amendments are developed. Council briefings will also be scheduled to keep them informed of the progress on this topic.